

**THE BLOOD CENTER  
and  
THE BLOOD CENTER FOUNDATION**

**Audits of Combined Financial Statements**

**December 31, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 25 2012**

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## **Independent Auditor's Report**

To the Boards of Directors of  
The Blood Center and The Blood Center Foundation

We have audited the accompanying combined statements of financial position of The Blood Center (A Louisiana non-profit organization) (the Center) and The Blood Center Foundation (A Louisiana non-profit organization) (the Foundation) as of December 31, 2011 and 2010, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Blood Center and The Blood Center Foundation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information presented on Schedules I through IV is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

March 9, 2012  
Metairie, Louisiana

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**THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**  
**Combined Statements of Financial Position**  
**December 31, 2011 and 2010**

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 9,278,874	\$ 3,002,922
Investments	100,000	100,000
Trade Receivables, Less Allowance of \$21,475 in 2011 and \$37,604 in 2010	4,411,822	3,760,531
Other Receivables	10,000	-
FEMA Receivable	-	2,457,754
Inventories	2,054,741	1,991,747
Prepaid Expenses and Deposits	418,709	277,910
<b>Total Current Assets</b>	<b>16,274,146</b>	<b>11,590,864</b>
<b>Property, Plant and Equipment, Net</b>	<b>11,562,720</b>	<b>14,483,391</b>
<b>Other Assets</b>		
Other Investments, at Cost	116,296	116,296
Bond Issuance Costs, Net	69,976	99,623
<b>Total Other Assets</b>	<b>186,272</b>	<b>215,919</b>
<b>Total Assets</b>	<b>\$ 28,023,138</b>	<b>\$ 26,290,174</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current Portion of Bonds Payable	\$ 169,610	\$ 115,000
Current Portion of Note Payable	-	59,211
Accounts Payable	1,900,766	831,373
Accrued Liabilities	759,937	784,840
Retainage Payable	154,723	-
Reserve for Blood Plan Claims	61,940	61,940
<b>Total Current Liabilities</b>	<b>3,046,976</b>	<b>1,852,364</b>
<b>Long-Term Debt, Net of Current Portion</b>		
Bonds Payable	3,095,390	3,150,000
Note Payable	-	2,093,289
<b>Total Long-Term Debt, Net of Current Portion</b>	<b>3,095,390</b>	<b>5,243,289</b>
<b>Total Liabilities</b>	<b>6,142,366</b>	<b>7,095,653</b>
<b>Net Assets</b>		
Unrestricted	21,880,772	19,194,521
<b>Total Liabilities and Net Assets</b>	<b>\$ 28,023,138</b>	<b>\$ 26,290,174</b>

The accompanying notes are an integral part of these combined financial statements.

**THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**  
**Combined Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Unrestricted Net Assets</b>		
<b>Operating Revenues</b>		
Blood and Components	\$ 25,746,814	\$ 24,609,628
Outside Testing	3,355,204	3,488,587
Reference Lab	2,203,868	2,057,737
Apheresis Therapeutic	1,114,178	1,333,431
<b>Total Operating Revenues</b>	<b>32,420,064</b>	<b>31,489,383</b>
<b>Operating Expenses</b>		
Blood and Components	25,285,829	24,483,252
Outside Testing	3,520,389	3,422,757
Reference Lab	1,346,491	1,311,538
Apheresis Therapeutic	1,042,947	1,001,361
Foundation Expenses	1,574	7,815
<b>Total Operating Expenses</b>	<b>31,197,230</b>	<b>30,226,723</b>
<b>Results of Operations</b>	<b>1,222,834</b>	<b>1,262,660</b>
<b>Non-Operating Revenues (Expenses)</b>		
Contributions	11,063	30,443
Rental Income	11,028	18,540
Rental Expenses	(41,168)	(82,280)
Investment Return	6,974	5,452
Gain on Disposition of Property, Plant and Equipment	2,124,103	-
FEMA Funding and Insurance Proceeds	10,113	3,205,357
Other Expenses	(413,705)	-
Legal Expenses	(244,991)	(157,297)
<b>Total Non-Operating Revenues, Net</b>	<b>1,463,417</b>	<b>3,020,215</b>
<b>Change in Unrestricted Net Assets</b>	<b>2,686,251</b>	<b>4,282,875</b>
<b>Net Assets, Beginning of Year</b>	<b>19,194,521</b>	<b>14,911,646</b>
<b>Net Assets, End of Year</b>	<b>\$ 21,880,772</b>	<b>\$ 19,194,521</b>

The accompanying notes are an integral part of these combined financial statements.

**THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**  
**Combined Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in Unrestricted Net Assets	\$ 2,686,251	\$ 4,282,875
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities		
Depreciation	863,096	981,147
Bad Debt Expense	12,000	47,739
Gain on Sale of Property, Plant and Equipment	(2,124,103)	-
Amortization of Bond Issuance Costs	100,873	5,220
Non-Cash Contributions of Fixed Assets	-	(24,763)
(Increase) Decrease in:		
Accounts Receivable	(663,291)	(163,899)
FEMA Receivable	2,457,754	(2,457,754)
Inventories	(62,994)	(127,895)
Prepaid Expenses	(140,799)	11,503
Increase (Decrease) in:		
Accounts Payable	1,069,393	(283,433)
Accrued Liabilities	(24,903)	(183,785)
<b>Net Cash Provided by Operating Activities</b>	<b>4,173,277</b>	<b>2,086,955</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(2,513,600)	(3,479,947)
Proceeds from Disposition of Property, Plant and Equipment	6,840,000	-
Cash Paid for Cost-Basis Investment	-	(5,000)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>4,326,400</b>	<b>(3,484,947)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of Long-Term Debt	(2,152,500)	(355,392)
Proceeds from Long-Term Debt	-	2,152,500
Cash Paid for Bond Issuance Costs	(71,225)	-
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(2,223,725)</b>	<b>1,797,108</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>6,275,952</b>	<b>399,116</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,002,922</b>	<b>2,603,806</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 9,278,874</b>	<b>\$ 3,002,922</b>

The accompanying notes are an integral part of these combined financial statements.

**THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**  
**Combined Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	<u>\$ 134,649</u>	<u>\$ 96,639</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Increase in Property, Plant and Equipment/Retainage Payable	<u>\$ 154,723</u>	<u>\$ -</u>
Equipment Acquired through Donation	<u>\$ -</u>	<u>\$ 24,763</u>
Cash Received from Disposition of Property, Plant and Equipment	<u>\$ 6,840,000</u>	<u>\$ -</u>
Balance due from Purchasor - Other Receivable	<u>10,000</u>	<u>-</u>
Gross Proceeds from Disposition of Property, Plant and Equipment	<u>6,850,000</u>	<u>-</u>
Net Book Value of Property, Plant and Equipment Sold	<u>(4,725,897)</u>	<u>-</u>
Gain on Disposition of Property, Plant and Equipment	<u>\$ 2,124,103</u>	<u>\$ -</u>

The accompanying notes are an integral part of these combined financial statements.

## THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

### Notes to Combined Financial Statements

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#### Note 1. Nature of Activities

The Blood Center (the Center) is a Louisiana non-profit organization organized to operate blood bank facilities and serve as a liaison between blood donors and hospitals and other health care organizations. In addition, the Center provides testing services for hospitals and other health care organizations. The hospitals and other health care organizations for which the Center serves are located primarily in Louisiana and Mississippi. The Center is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Blood Center Foundation (the Foundation) is a Louisiana non-profit organization established to provide financial support to organizations dedicated to the procurement and provision of blood components and provide technical support to the blood banking profession in the community they serve. The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Blood Center and The Blood Center Foundation are collectively referred to as the "Organizations".

#### Note 2. Summary of Significant Accounting Policies

##### Principles of Combination

The accompanying combined financial statements include the accounts of The Blood Center and The Blood Center Foundation. All significant intercompany balances and transactions have been eliminated in combination.

##### Basis of Accounting

The combined financial statements of the Organizations have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, therefore, reflect all significant receivables, payables, and other liabilities.

##### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organizations have no temporarily or permanently restricted net assets.



## **THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**

### **Notes to Combined Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

##### **Use of Estimates**

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts recorded in the combined financial statements. Actual results may differ from these estimates due to information that becomes available subsequent to the issuance of the combined financial statements or for other reasons.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid debt instruments with original maturities of three months or less.

##### **Investments**

Investments are recorded at market value. At December 31, 2011 and 2010, investments totaling \$100,000 are pledged in connection with the Center's participation in the Louisiana Patient's Compensation Fund.

##### **Trade Receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest of 1.5% is charged on trade receivables that are outstanding for more than 30 days and is recognized as it is charged.

##### **Inventories**

Blood and blood components inventory is reported on the average selling price per unit sold, less expected cost of delivery. The cost of bags for blood collection, reagents for blood testing and other inventory is determined based on the lower of cost (first-in, first-out method) or market.

##### **Prepaid Expenses and Deposits**

Prepaid expenses consist of: premiums for insurance coverage that have been capitalized and charged to expenses over the periods for which coverage is applicable; equipment maintenance contracts that have been paid in advance; deposits for deferred compensation; and other miscellaneous deposits.

##### **Property, Plant and Equipment**

The Organizations capitalize all acquisitions of property, plant and equipment in excess of \$500. Property, plant and equipment are recorded at cost or, if donated, at estimated fair value at the date of the donation.

## THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

### Notes to Combined Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

##### Property, Plant and Equipment (Continued)

Depreciation is provided on the straight-line method using the following estimated useful lives:

Furniture and Fixtures	3 - 10 Years
Automobiles, Trucks, Equipment, Leasehold Improvements and Bloodmobiles	3 - 10 Years
Buildings	25 Years

##### Bond Issuance Costs

Bond issuance costs consist of costs incurred with the issuance of the bonds described in Note 7. These costs are being amortized over the life of the bonds.

During 2011, the Center facilitated a transfer of the bonds outstanding into a private placement with a financial institution. Upon completion of this transfer, the outstanding balance of the unamortized bond issuance costs was expensed and recognized as other non-operating expenses for financial statement purposes. Certain costs incurred by the Center pertaining to the transfer of the bonds into a private placement were deferred and are being amortized over the life of the bonds.

##### Reserve for Blood Plan Claims

The reserve for Blood Plan Claims represents the estimated liability associated with the Center's Blood Assurance and Blood Replacement Plans. For the Blood Assurance Plan, donors can elect to provide unlimited blood coverage for a designated beneficiary. This coverage is valid for one year from the date of the donor's blood donation. The Center will reimburse a qualified beneficiary for the cost of blood utilized for hospital stays during the year, less any amount covered by insurance. For the Blood Replacement Plan, the Center provides payment to a qualified beneficiary based on the amount of blood and blood components donated in the name of that beneficiary. The liability associated with Blood Plan Claims was \$61,940 for the years ended December 31, 2011 and 2010.

##### Revenues and Significant Customers

Revenues are derived from service fees for providing blood and blood components and testing services to blood centers, local hospitals and laboratories, and from transactions with the Blood Centers of America, American Association of Blood Banks Clearing House, and other independent regional blood centers.

##### Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction.

## **THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**

### **Notes to Combined Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

##### **Revenue Recognition (Continued)**

Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

##### **Hurricane Katrina - FEMA Grants and Insurance Claims**

Due to the uncertainty of the approval and payment process, funds received from the Federal Emergency Management Agency (FEMA) and insurance claims pertaining to Hurricane Katrina are recorded when earned and collection of the relevant receivable is probable.

##### **Non-Operating Expenses - Legal**

The Center has incurred certain legal costs that pertain to its efforts to recover Hurricane Katrina-related losses from its insurance providers. The Center has also incurred certain legal costs which pertain to the expropriation of its main campus by the State of Louisiana for the construction of the Medical Center of Louisiana. These legal costs have been classified as non-operating for financial statement reporting purposes because recoveries and related events are considered to be non-operating.

##### **Non-Operating Expenses - Other**

As a result of the expropriation of its main campus by the State of Louisiana, the Center incurred certain costs associated with its move to a new facility. These costs have been classified as other non-operating expenses for financial statement reporting purposes. In addition, the expropriation required the Center to restructure its bond agreement whereby the bonds were transferred to a private placement held by a financial institution. Certain costs associated with the transfer of the bonds incurred by the Center have been classified as other non-operating expenses for financial statement reporting purposes.

#### **Note 3. Hurricane Katrina - FEMA and Insurance Claims**

As a result of Hurricane Katrina, the Center applied for and was awarded funding from FEMA for uninsured losses. The Center also submitted claims to its insurance provider for losses incurred as a result of business interruption. For the years ended December 31, 2011 and 2010, the Center recognized \$10,113 and \$2,705,357, respectively, of FEMA funding, and \$-0- and \$500,000, respectively as part of its business interruption claim.

## THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

### Notes to Combined Financial Statements

#### Note 4. Investments

Investments at December 31, 2011 and 2010, consist of a certificate of deposit in the amount of \$100,000. As disclosed in Note 2, this certificate of deposit is pledged in connection with the Center's participation in the Louisiana Patient's Compensation Fund.

#### Note 5. Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are comprised of the following:

	2011	2010
Depreciable Assets		
Buildings	\$ 3,368,162	\$ 9,356,534
Equipment, Furniture and Fixtures	6,307,725	6,042,984
Automobiles and Trucks	416,473	323,337
Bloodmobiles	1,203,930	1,086,721
Leasehold Improvements	457,555	440,235
Total Depreciable Assets	11,753,845	17,249,811
Less: Accumulated Depreciation	(6,921,639)	(8,718,045)
Net Depreciable Assets	4,832,206	8,531,766
Non-Depreciable Assets		
Land	1,947,839	3,249,940
Construction in Progress	4,782,675	2,701,685
Total Non-Depreciable Assets	6,730,514	5,951,625
Total	\$ 11,562,720	\$ 14,483,391

As disclosed in Note 2, the State of Louisiana expropriated the Center's main campus. As compensation for this transaction, the State paid the Center \$6,840,000, with an additional \$10,000 to be paid to the Center once title has cleared on all of the parcels of property that were expropriated. As a result of the expropriation, property, plant and equipment with a net book value of \$4,725,897 was removed from the Center's financial statements, and a gain of \$2,124,103 was recognized. The Center has continued its efforts to receive additional compensation from the State for the property that was expropriated.

Depreciation expense amounted to \$863,096 and \$981,147, for the years ended December 31, 2011 and 2010, respectively.

# THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

## Notes to Combined Financial Statements

### Note 6. Other Investments

Other Investments consist of the following:

Entity	Investment Description	2011	2010
Blood Centers of America	Equity Membership	\$ 25,000	\$ 25,000
BCx	Capitalization Fee	86,296	86,296
Blood Group Alliance, Inc.	Capitalization Fee	5,000	5,000
	<b>Total</b>	<b>\$ 116,296</b>	<b>\$ 116,296</b>

All of the above investments are carried at cost.

### Note 7. Bonds Payable

At December 31, 2011 and 2010, Bonds Payable consists of the outstanding balance associated with bonds issued by the Louisiana Public Facilities Authority (LPFA) for which the Center is the obligor. The bonds were initially issued in 2000. In September of 2011 the bonds were amended and transferred into private placement with a financial institution.

Under the terms of the private placement, the bonds are subject to redemption in quarterly installments of \$42,403, and interest is required to be paid monthly. Through September 1, 2016, the rate of interest is fixed at 2.95%. Thereafter, the mode and rate of interest is subject to negotiation. Interest expense totaled \$45,446 and \$47,414, for the years ended December 31, 2011 and 2010, respectively.

Future principal payments for the bonds are as follows:

Years Ending	Amount
2012	\$ 169,610
2013	169,610
2014	169,610
2015	169,610
2016	169,610
Thereafter	2,416,950
<b>Total</b>	<b>\$ 3,265,000</b>

## **THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**

### **Notes to Combined Financial Statements**

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#### **Note 7. Bonds Payable (Continued)**

The Center is subject to a number of covenants and restrictions associated with its operations. The significant covenants and restrictions include the following:

- The Center must maintain, at all times, a minimum Fixed Charge Coverage Ratio of at least 1.00 to 1.
- The Center must maintain a Days Cash and Investments Ratio of no less than thirty days.

At December 31, 2011, the Center was in compliance with the above covenants and restrictions.

#### **Note 8. Notes Payable**

During 2010, the Center obtained a loan for \$2,152,500 from a financial institution with interest at the adjusted LIBOR rate plus 3% to fund the purchase and renovation of an office building and adjoining property. In September of 2011, the loan was paid in full.

Interest expense pertaining to notes payable totaled \$65,267 and \$57,155, for the years ended December 31, 2011 and 2010, respectively.

#### **Note 9. Uncertain Tax Positions**

All tax returns have been appropriately filed by the Organizations. The Organizations recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organizations' tax filings are subject to audit by various taxing authorities. The Organizations' tax returns for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed. Management evaluated the Organizations' tax positions and concluded that the Organizations had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance.

## THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION

### Notes to Combined Financial Statements

#### Note 10. Commitments

##### Operating Leases - Lessee

The Center leases certain facilities and equipment used in its operations under operating leases expiring in various years through 2015. Rent expense for the years ended December 31, 2011 and 2010, totaled \$530,568 and \$529,883, respectively.

Minimum future rental payments under operating leases are as follows:

Years Ending	Amount
2012	\$ 380,673
2013	278,409
2014	92,745
2015	11,769
Total	<u>\$ 763,596</u>

##### Operating Leases - Lessor

During 2010, the Center entered into lease agreements with four entities renting space within the Center's Canal Street facility. Three of the leases were on a month-to-month basis, and the fourth expired April 30, 2011. During 2011, all of leases were terminated. Rental income earned from these tenants totaled \$11,028 and \$18,540 for the years ended December 31, 2011 and 2010, respectively.

##### Other Commitments and Contingencies

The Center utilizes private commercial insurance through its affiliation with BCx, as well as participates in the Louisiana Patient's Compensation Fund, to cover risk of loss associated with medical professional liability claims filed against the Center. The Center's private commercial insurance provides coverage for claims, after the Center's deductible of \$25,000 per claim, of up to \$100,000 per claim. The Louisiana Patient's Compensation Fund provides up to \$500,000 in coverage per claim for claims in excess of the first \$100,000. Commercial insurance covers claims in excess of \$500,000 per claim, up to a maximum of \$1,000,000 per claim, with an aggregate limit of \$3,000,000.

Malpractice suits involving claims of varying amounts have been filed against the Center by various claimants. All significant claims filed to date relate to periods of time during which the Center's insurance coverage was in effect. However, settlement of claims in the past and the current financial condition of certain insurers used by the Center in the past may limit the amount of coverage available for use in future claim settlements. The actions are in various stages of processing, and some may ultimately be tried before juries. Additional claims may be asserted arising from services provided to patients during 2011 and prior years. Although the Center is unable to determine the ultimate cost of the settlement of such claims, management, based on its evaluation of the probability of loss and on the advice of counsel, has accrued \$100,000 to cover the estimated deductible pertaining to certain cases outstanding as of December 31, 2011 and 2010. This amount is included in Accrued Liabilities on the Combined Statements of Financial Position.

## **THE BLOOD CENTER and THE BLOOD CENTER FOUNDATION**

### **Notes to Combined Financial Statements**

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#### **Note 11. Concentrations of Credit Risk**

##### **Bank Deposits**

The Center periodically maintains cash in bank accounts in excess of insured limits. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

##### **Significant Customers**

For the year ended December 31, 2011, one customer made up approximately 11% of the Center's revenues and approximately 13% of the Center's receivable balance. For the year ended December 31, 2010, one customer made up approximately 11% of the Center's revenues and approximately 11% of the Center's receivable balance.

#### **Note 12. Pension Plan**

The Center sponsors a defined contribution retirement plan established under Section 403(b) of the Internal Revenue code. The amount contributed by the Center for the years ended December 31, 2011 and 2010, was \$85,263 and \$96,564, respectively.

#### **Note 13. Functional Allocation of Expenses**

The costs of providing the various activities and services by the Organizations have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Note 14. Subsequent Events**

Management has evaluated subsequent events through March 9, 2012, the date that the combined financial statements were available to be issued, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.



**THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION**  
**Schedule I**  
**Combining Statement of Financial Position**  
**For the Year Ended December 31, 2011**

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 9,269,716	\$ 9,158	\$ -	\$ 9,278,874
Investments	100,000	-	-	100,000
Trade Receivables, Less Allowance of \$21,475 in 2011	4,411,822	-	-	4,411,822
Other Receivables	10,000	-	-	10,000
Inventories	2,054,741	-	-	2,054,741
Prepaid Expenses and Deposits	418,709	-	-	418,709
<b>Total Current Assets</b>	<b>16,264,988</b>	<b>9,158</b>	<b>-</b>	<b>16,274,146</b>
<b>Property, Plant and Equipment, Net</b>	<b>11,562,720</b>	<b>-</b>	<b>-</b>	<b>11,562,720</b>
<b>Other Assets</b>				
Other Investments, at Cost	116,296	-	-	116,296
Bond Issuance Costs, Net	69,976	-	-	69,976
<b>Total Other Assets</b>	<b>186,272</b>	<b>-</b>	<b>-</b>	<b>186,272</b>
<b>Total Assets</b>	<b>\$ 28,013,980</b>	<b>\$ 9,158</b>	<b>\$ -</b>	<b>\$ 28,023,138</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current Portion of Bonds Payable	\$ 169,610	\$ -	\$ -	\$ 169,610
Accounts Payable	1,900,766	-	-	1,900,766
Accrued Liabilities	759,937	-	-	759,937
Retainage Payable	154,723	-	-	154,723
Reserve for Blood Plan Claims	61,940	-	-	61,940
<b>Total Current Liabilities</b>	<b>3,046,976</b>	<b>-</b>	<b>-</b>	<b>3,046,976</b>
<b>Long-Term Debt, Net of Current Portion</b>				
Bonds Payable	3,095,390	-	-	3,095,390
<b>Total Long-Term Debt, Net of Current Portion</b>	<b>3,095,390</b>	<b>-</b>	<b>-</b>	<b>3,095,390</b>
<b>Total Liabilities</b>	<b>6,142,366</b>	<b>-</b>	<b>-</b>	<b>6,142,366</b>
<b>Net Assets</b>				
Unrestricted	21,871,614	9,158	-	21,880,772
<b>Total Liabilities and Net Assets</b>	<b>\$ 28,013,980</b>	<b>\$ 9,158</b>	<b>\$ -</b>	<b>\$ 28,023,138</b>

See independent auditor's report.

**THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION**  
**Schedule II**  
**Combining Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2011**

	The Blood Center	The Blood Center Foundation	Eliminations	Combined
<b>Unrestricted Net Assets</b>				
<b>Operating Revenues</b>				
Blood and Components	\$ 25,746,814	\$ -	\$ -	\$ 25,746,814
Outside Testing	3,355,204	-	-	3,355,204
Reference Lab	2,203,868	-	-	2,203,868
Apheresis Therapeutic	1,114,178	-	-	1,114,178
<b>Total Unrestricted Revenues and Gains</b>	<b>32,420,064</b>	<b>-</b>	<b>-</b>	<b>32,420,064</b>
<b>Operating Expenses</b>				
Blood and Components	25,285,829	-	-	25,285,829
Outside Testing	3,520,389	-	-	3,520,389
Reference Lab	1,346,491	-	-	1,346,491
Apheresis Therapeutic	1,042,947	-	-	1,042,947
Foundation Expenses	-	1,574	-	1,574
<b>Total Operating Expenses</b>	<b>31,195,656</b>	<b>1,574</b>	<b>-</b>	<b>31,197,230</b>
<b>Results of Operations</b>	<b>1,224,408</b>	<b>(1,574)</b>	<b>-</b>	<b>1,222,834</b>
<b>Non-Operating Revenues and Expenses</b>				
Contributions	5,142	5,921	-	11,063
Rental Income	11,028	-	-	11,028
Rental Expenses	(41,168)	-	-	(41,168)
Investment Return	6,974	-	-	6,974
Gain on Disposition of Property and Equipment	2,124,103	-	-	2,124,103
FEMA Funding and Insurance Proceeds	10,113	-	-	10,113
Other Expenses	(413,705)	-	-	(413,705)
Legal Expenses	(244,991)	-	-	(244,991)
<b>Total Non-Operating Revenues and Expenses</b>	<b>1,457,496</b>	<b>5,921</b>	<b>-</b>	<b>1,463,417</b>
<b>Change in Unrestricted Net Assets</b>	<b>2,681,904</b>	<b>4,347</b>	<b>-</b>	<b>2,686,251</b>
<b>Net Assets, Beginning of Year</b>	<b>19,189,710</b>	<b>4,811</b>	<b>-</b>	<b>19,194,521</b>
<b>Net Assets, End of Year</b>	<b>\$ 21,871,614</b>	<b>\$ 9,158</b>	<b>\$ -</b>	<b>\$ 21,880,772</b>

See independent auditor's report.

**THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION**  
**Schedule III**  
**Schedule of Operating Expenses**  
**For the Year Ended December 31, 2011**

	<b>Blood and Components</b>	<b>Outside Testing</b>	<b>Reference Lab</b>	<b>Apheresis Therapeutic</b>	<b>Total</b>
Total Salary and Wages	\$ 5,465,516	\$ 332,231	\$ 557,646	\$ 424,709	\$ 6,780,102
Payroll Taxes and Benefits	1,609,659	87,362	130,922	129,900	1,957,843
Supplies and Materials	7,146,076	2,564,768	320,246	158,865	10,189,955
Marketing Services	350,975	4,430	509	3,303	359,217
Professional Development	123,775	2,839	12,931	923	140,468
Contractual Services	1,192,982	191,178	54,165	55,175	1,493,500
Expenditures for Blood	3,522,767	-	-	-	3,522,767
Total Expenses Before Depreciation	19,411,750	3,182,808	1,076,419	772,875	24,443,852
Depreciation	750,894	43,154	34,524	34,524	863,096
Total Expenses Before General and Administrative Allocation	20,162,644	3,225,962	1,110,943	807,399	25,306,948
General and Administrative Allocation	5,123,185	294,427	235,548	235,548	5,888,708
<b>Total Expenses</b>	<b>\$ 25,285,829</b>	<b>\$ 3,520,389</b>	<b>\$ 1,346,491</b>	<b>\$ 1,042,947</b>	<b>\$ 31,195,656</b>

See independent auditor's report.

**THE BLOOD CENTER AND THE BLOOD CENTER FOUNDATION**  
**Schedule IV**  
**Schedule of Operating Expenses**  
**For the Year Ended December 31, 2010**

	<b>Blood and Components</b>	<b>Outside Testing</b>	<b>Reference Lab</b>	<b>Apheresis Therapeutic</b>	<b>Total</b>
Total Salary and Wages	\$ 6,743,879	\$ 369,230	\$ 567,204	\$ 467,291	\$ 8,147,604
Payroll Taxes and Benefits	2,117,142	118,326	138,068	142,822	2,516,358
Supplies and Materials	6,734,363	2,439,368	341,577	155,533	9,670,841
Marketing Services	401,073	8,491	1,048	1,591	412,203
Professional Development	16,525	11,511	6,491	611	35,138
Contractual Services	1,269,790	221,095	53,361	29,724	1,573,970
Expenditures for Blood	2,768,225	-	-	-	2,768,225
Total Expenses Before Depreciation	20,050,997	3,168,021	1,107,749	797,572	25,124,339
Depreciation	853,598	49,057	39,246	39,246	981,147
Total Expenses Before General and Administrative Allocation	20,904,595	3,217,078	1,146,995	836,818	26,105,486
General and Administrative Allocation	3,578,657	205,679	164,543	164,543	4,113,422
<b>Total Expenses</b>	<b>\$ 24,483,252</b>	<b>\$ 3,422,757</b>	<b>\$ 1,311,538</b>	<b>\$ 1,001,361</b>	<b>\$ 30,218,908</b>

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